

## Partnership Agreement

When forming a business structure that includes more than one owner, such as a partnership, a corporation, or a limited liability company, it is extremely important to prepare a written agreement spelling out the relationships among the owners, to include their respective responsibilities and obligations. One important future event to provide for is what to do when one owner decides to move to Florida, dies, or otherwise leaves the enterprise and wants to sell his/her interest to somebody else. This is also known as a buy/sell agreement, providing that the departing owner must first offer to sell his interest to the other owners, who have a right of first refusal, and then to the company itself, before being allowed to sell it to a third party. This prevents you from suddenly having a stranger as your business partner. (The owners of a partnership are called partners, the owners of a corporation are called shareholders, the owners of a LLC are called members.) In the case of a partnership, the agreement is called a partnership agreement; in a corporation, a shareholders agreement; and in a LLC, an operating agreement. All of these agreements are similar, with slight variations. In a partnership, a written partnership agreement should cover the following topics as a minimum:

- The identity of the partners;
- The business to be conducted;
- The name to be used;
- The contributions, both initial and future, to be made by each partner and how they will be valued (i.e. capital);
- The percentage interest of each partner in the partnership and distributions and allocations of profits and losses;
- Management, including any salaries or draws paid to partners, and the keeping of books and accounts;
- Tie-breaking procedure to avoid deadlocks between equal partners;
- Any authorized borrowings;
- How any new partners will be admitted;
- Assignment of partnership interests, including upon death of a partner, and payments to withdrawing or deceased partners (Buy/Sell);
- Procedure for buying out a partner's interest;
- Dissolution and termination of the partnership;
- Any desired dispute resolution mechanisms (e.g. mediation or arbitration) in lieu of litigation between partners;
- Requirements to amend the partnership agreement.

Because of its complexity and importance, a partnership agreement should be prepared by a lawyer.